



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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David A. Vaudt, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

March 30, 2011

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Fairfield, Iowa.

The City's receipts totaled \$14,530,985 for the year ended June 30, 2010, an 18 percent increase over the prior year. The receipts included \$4,076,420 in property tax, \$429,971 from tax increment financing, \$4,896,268 from charges for service, \$1,219,571 from operating grants, contributions and restricted interest, \$1,194,547 from capital grants, contributions and restricted interest, \$784,581 from local option sales tax, \$109,792 from hotel/motel tax, \$46,705 from unrestricted interest on investments, \$800,000 from note proceeds, \$599,150 from bond proceeds and \$373,980 from other general receipts.

Disbursements for the year totaled \$14,664,191, a 17 percent increase over the prior year, and included \$2,143,000 for capital projects, \$1,705,256 for public safety, \$1,641,994 for culture and recreation and \$1,155,196 for general government. Also, disbursements for business type activities totaled \$4,608,746.

A copy of the audit report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1020-0476-B00F.pdf>.

# # #



**CITY OF FAIRFIELD**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2010**

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**City of Fairfield**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2010)</b>		
Edward Malloy	Mayor	Jan 2012
Myron Gookin	Council Member/Mayor Pro tem	Jan 2010
Martha Norbeck	Council Member	Jan 2010
John F. Revolinski	Council Member	Jan 2010
Ron Adam	Council Member	Jan 2012
Daryn Hamilton	Council Member	Jan 2012
Ray Mottet	Council Member	Jan 2012
Susan Silvers	Council Member	Jan 2012
John Brown	City Administrator	(Resigned Nov 2009)
Joy Messer	City Clerk	Indefinite
John Morrissey	City Attorney	Indefinite
<b>(After January 2010)</b>		
Edward Malloy	Mayor	Jan 2012
Myron Gookin	Council Member/Mayor Pro tem	Jan 2014
Ron Adam	Council Member	Jan 2012
Daryn Hamilton	Council Member	Jan 2012
Ray Mottet	Council Member	Jan 2012
Susan Silvers	Council Member	Jan 2012
Michael Halley	Council Member	Jan 2014
John F. Revolinski	Council Member	Jan 2014
Jeff Clawson	City Administrator	Indefinite
Joy Messer	City Clerk	Indefinite
John Morrissey	City Attorney	Indefinite

**City of Fairfield**



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**Independent Auditor's Report**

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Fairfield, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Fairfield's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

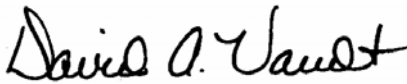
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Fairfield as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

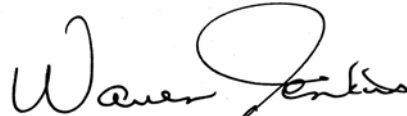
In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2011 on our consideration of the City of Fairfield's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairfield's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 15, 2011



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Fairfield provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2010 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 18.1%, or approximately \$1,500,000, from fiscal year 2009 to fiscal year 2010. The increase is primarily due to various new capital projects, which resulted in an increase in capital grants of approximately \$615,000. Also, the City issued \$800,000 in general obligation anticipation notes, \$550,000 of local option sales and service tax revenue bonds and \$49,150 of general obligation bonds.
- Governmental activities disbursements increased 14.7%, or approximately \$1,183,000, in fiscal year 2010 from fiscal year 2009. Capital projects disbursements increased approximately \$230,000 due to various new capital projects. Also, general government disbursements increased approximately \$749,000, primarily due to the purchase of the Civic Center building during fiscal year 2010.
- The City's total cash basis net assets decreased approximately \$133,000 from June 30, 2009 to June 30, 2010. Of this amount, the net assets of the governmental activities decreased approximately \$441,000 and the net assets of the business type activities increased approximately \$308,000.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, yard waste collection, airport hanger and Logan Apartments. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains five Enterprise Funds to provide separate information for water, sewer, yard waste, airport hanger and Logan Apartments operations.

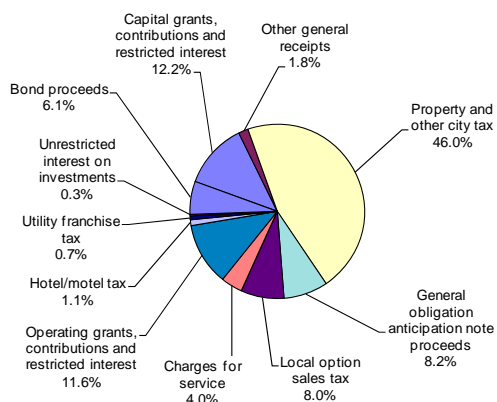
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

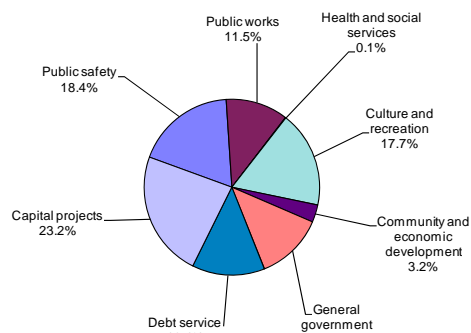
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$808,000 to approximately \$367,000. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service	\$ 395	362
Operating grants, contributions and restricted interest	1,132	1,292
Capital grants, contributions and restricted interest	1,195	580
General receipts:		
Property and other city tax, including tax increment financing	4,506	4,282
Local option sales tax	785	834
Hotel/motel tax	110	125
Utility franchise tax	66	69
Unrestricted interest on investments	31	41
General obligation anticipation note proceeds	800	500
Bond proceeds	599	-
Sale of assets	-	20
Other general receipts	173	187
Total receipts	9,792	8,292
Disbursements:		
Public safety	1,705	1,761
Public works	1,061	906
Health and social services	13	13
Culture and recreation	1,642	1,627
Community and economic development	300	200
General government	1,155	406
Debt service	1,236	1,246
Capital projects	2,143	1,913
Total disbursements	9,255	8,072
Change in cash basis net assets before transfers and notes redeemed	537	220
Notes redeemed	(800)	-
Transfers, net	(178)	-
Change in cash basis net assets	(441)	220
Cash basis net assets beginning of year	808	588
Cash basis net assets end of year	\$ 367	808

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities increased 18.1%, or approximately \$1,500,000. The total cost of all programs and services increased approximately \$1,183,000, or 14.7%, with no new programs added this year. The significant increase in receipts and disbursements was due, in part, to various new capital projects which were started during fiscal year 2010 and due to proceeds received from the issuance of general obligation anticipation notes.

The City's property tax rates for fiscal year 2010 remained consistent compared to fiscal year 2009. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase an additional \$123,000 next year.

The cost of governmental activities this year was approximately \$9,255,000 compared to approximately \$8,072,000 last year. However, as shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was \$6,533,272 because some of the cost was paid by those directly benefited from the programs (\$395,174) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$2,326,999). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2010 from approximately \$2,234,000 to approximately \$2,722,000, primarily due to receiving grant proceeds to complete various capital projects and proceeds from the issuance of general obligation anticipation notes and local option sales and service tax revenue bonds. The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and other receipts, such as interest and other general receipts.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 2,044	2,002
Sewer	1,841	923
Airport hangar	70	70
Logan Apartments	148	155
Yard waste	398	380
Operating grants, contributions and restricted interest	87	97
Capital grants, contributions, and restricted interest	-	234
General receipts:		
Other general receipts	151	144
Total receipts	4,739	4,005
Disbursements:		
Water	2,242	2,072
Sewer	1,568	1,422
Airport hangar	155	269
Logan Apartments	193	258
Yard waste	451	436
Total disbursements	4,609	4,457
Change in cash basis net assets before transfers	130	(452)
Transfers, net	178	-
Change in cash basis net assets	308	(452)
Cash basis net assets beginning of year	635	1,087
Cash basis net assets end of year	\$ 943	635

Total business type activities receipts for the fiscal year were approximately \$4,739,000 compared to approximately \$4,005,000 last year. This increase was primarily due to an increase in sewer rates. The cash balance increased approximately \$308,000 from the prior year. Total disbursements for the fiscal year increased 3.4%, from approximately \$4.5 million in fiscal year 2009 to approximately \$4.6 million in fiscal year 2010.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Fairfield completed the year, its governmental funds reported a combined fund balance of \$366,650, a decrease of \$441,066 from last year's total of \$807,716. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$71,410 from the prior year to \$703,102. Receipts increased, primarily due to an increase of \$97,661 in property tax receipts and the issuance of \$250,000 of general obligation anticipation notes.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$4,785, or 5.2%, to \$87,661. This was primarily due to additional seal coat project disbursements which exceeded the increase in road use tax receipts.
- The Special Revenue, Local Option Sales Tax Fund cash balance decreased \$50,217, or 31.6%, to \$108,817. Receipts increased due to the issuance of \$550,000 of local option sales and service tax revenue bonds. Disbursements increased \$636,000 due to the purchase of the Civic Center during fiscal year 2010.
- The Special Revenue, Employee Benefits Fund cash balance increased \$50,994, or 29.7%, to \$222,568. This increase was primarily due to an increase in property tax receipts.
- The Special Revenue, UDAG-FALCO Project Fund cash balance decreased \$23,586, or 7.7%, to \$282,628. The decrease was due to the City continuing its support to the Fairfield Economic Development Association while there was only a small amount of receipts in the fund.
- The Special Revenue, Fairfield Library Foundation Fund cash balance decreased \$11,174, or 2.2%, to \$509,918.
- The Debt Service Fund cash balance increased \$38,491 to \$106,067, primarily due to higher TIF collections, which are transferred to the Debt Service Fund to pay related debt, than originally anticipated during the budget process. The City will try to repay the \$155,226 to the Special Revenue, Urban Renewal Tax Increment Financing Fund from the Debt Service Fund.
- The Capital Projects Fund cash balance decreased \$334,404 to \$(2,179,785). This decrease is primarily due to ongoing project expenses prior to receiving grant reimbursements or proceeds from the sale of bonds or notes.
- The Permanent, Library Endowment Fund cash balance increased \$1,831 from the prior year to \$467,564.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance decreased \$76,369 to \$168,402, primarily due to an increase in disbursements for \$117,000 of work on water wells.
- The Sewer Fund cash balance increased \$477,864 to \$679,016, primarily due to the increase in sewer rates.
- The Airport Hangar Fund cash balance decreased \$85,084 to \$101,349, primarily due to the engineering fees for projects planned for fiscal year 2011.
- The Logan Apartments Fund cash balance increased \$44,257 to \$96,042, primarily due to the purchase of a new roof and electrical repairs made to the apartments during fiscal year 2009.

## BUDGETARY HIGHLIGHTS

The City amended its budget one time during the year, increasing budgeted disbursements from \$12,342,762 to \$13,479,570, primarily due to capital projects and repayment of general obligation anticipation notes.

The City's receipts were \$556,351 more than budgeted. This was primarily due to the City requesting reimbursement for capital projects completed in previous fiscal years.

Even with the budget amendment, total disbursements were \$321,570 more than the amended budget. This was due, in part, to increases in capital project activity.

The City exceeded the amount budgeted in the public works, culture and recreation, general government and capital projects functions for the year ended June 30, 2010, due primarily to various capital projects which were not budgeted.

## DEBT ADMINISTRATION

At June 30, 2010, the City had approximately \$13,616,000 in bonds and other long-term debt outstanding, compared to approximately \$14,135,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2010	2009
General obligation bonds	\$ 6,439	6,925
General obligation capital loan notes	1,350	1,685
Water revenue capital loan notes	4,718	4,883
Water revenue bonds	-	125
Local option sales and services tax revenue bonds	550	-
General obligation anticipation note	500	500
Lease purchase agreements	59	17
Total	\$ 13,616	14,135

Debt decreased due to payments made on outstanding debt during the fiscal year.

The City carries a general obligation bond rating of A2 assigned by national rating agencies on the \$4,915,000 general obligation bonds issued on July 1, 2010. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of approximately \$8.3 million is significantly below its constitutional debt limit of approximately \$20.8 million.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The elected and appointed officials of the City of Fairfield considered many factors when setting the fiscal year 2011 budget, tax rates and fees for various City services. One of those factors is the economy. Average unemployment for 2010 in Jefferson County was 8.4% versus 7.9% a year ago. This compares with the State's unemployment rate of 6.7% and the national rate of 9.6%.

These indicators were taken into account when adopting the budget for fiscal year 2011. The tax rate for fiscal year 2011 is \$16.10196 per thousand dollars of taxable valuation. Although this is a slight decrease compared to the tax rate for fiscal year 2010 of \$16.57891 per thousand dollars of taxable valuation, assessed valuations continue to increase. Amounts available for appropriation in the operating budget are approximately \$13.7 million, an increase of 1.6% from the final fiscal year 2010 budget. Budgeted disbursements are expected to increase approximately \$217,000. This increase is primarily due to business type activities. The City has added no new programs to the fiscal year 2011 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$493,000 by the close of fiscal year 2011.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joy Messer, City Clerk, 118 South Main Street, Fairfield, Iowa 52556-0850.

**City of Fairfield**



## **Basic Financial Statements**

City of Fairfield  
Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2010

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 1,705,256	108,599	105,057	-
Public works	1,060,704	-	848,760	41,939
Health and social services	13,000	-	-	-
Culture and recreation	1,641,994	258,459	178,635	-
Community and economic development	300,665	15,283	-	-
General government	1,155,196	12,833	-	-
Debt service	1,235,630	-	-	45,746
Capital projects	2,143,000	-	-	1,106,862
Total governmental activities	9,255,445	395,174	1,132,452	1,194,547
Business type activities:				
Water	2,242,407	2,044,554	-	-
Sewer	1,568,016	1,840,840	-	-
Airport hangar	154,787	69,703	-	-
Logan Apartments	193,054	148,323	87,119	-
Yard waste	450,482	397,674	-	-
Total business type activities	4,608,746	4,501,094	87,119	-
Total	\$ 13,864,191	4,896,268	1,219,571	1,194,547

**General Receipts and Transfers:**

Property and other city tax levied for:  
    General purposes  
    Debt service  
    Employee benefits  
Tax increment financing  
Local option sales tax  
Hotel/motel tax  
Utility franchise tax  
Unrestricted interest on investments  
General obligation anticipation note proceeds  
General obligation anticipation notes redeemed  
Local option sales and services tax revenue bond proceeds  
General obligation bond proceeds  
Miscellaneous  
Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:

    Nonexpendable:  
        Permanent fund

    Expendable:  
        Streets  
        Local option sales tax  
        Employee benefits  
        UDAG-FALCO project  
        Fairfield Library Foundation  
        Debt service  
        Other purposes

Unrestricted

**Total cash basis net assets**

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(1,491,600)	-	(1,491,600)
(170,005)	-	(170,005)
(13,000)	-	(13,000)
(1,204,900)	-	(1,204,900)
(285,382)	-	(285,382)
(1,142,363)	-	(1,142,363)
(1,189,884)	-	(1,189,884)
(1,036,138)	-	(1,036,138)
(6,533,272)	-	(6,533,272)
-	(197,853)	(197,853)
-	272,824	272,824
-	(85,084)	(85,084)
-	42,388	42,388
-	(52,808)	(52,808)
-	(20,533)	(20,533)
(6,533,272)	(20,533)	(6,553,805)
2,396,391	-	2,396,391
952,783	-	952,783
727,246	-	727,246
429,971	-	429,971
784,581	-	784,581
109,792	-	109,792
65,632	-	65,632
31,079	15,626	46,705
800,000	-	800,000
(800,000)	-	(800,000)
550,000	-	550,000
49,150	-	49,150
173,112	135,236	308,348
(177,531)	177,531	-
6,092,206	328,393	6,420,599
(441,066)	307,860	(133,206)
807,716	635,104	1,442,820
\$ 366,650	942,964	1,309,614
\$ 467,564	-	467,564
87,661	-	87,661
108,817	-	108,817
222,568	-	222,568
282,628	-	282,628
509,918	-	509,918
106,067	676,484	782,551
133,975	-	133,975
(1,552,548)	266,480	(1,286,068)
\$ 366,650	942,964	1,309,614

City of Fairfield

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2010

	Special Revenue					Fairfield Public Library Foundation
	General	Road Use Tax	Local Option Sales Tax	Employee Benefits	UDAG- FALCO Project	
Receipts:						
Property tax	\$ 2,232,218	-	-	727,246	-	-
Tax increment financing	-	-	-	-	-	-
Other city tax	175,424	-	784,581	-	-	-
Licenses and permits	25,681	-	-	-	-	-
Use of money and property	15,558	-	-	-	2,414	-
Intergovernmental	199,954	848,760	-	-	-	-
Charges for service	350,499	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Miscellaneous	183,306	-	-	-	-	-
Total receipts	3,182,640	848,760	784,581	727,246	2,414	-
Disbursements:						
Operating:						
Public safety	1,371,187	-	49,558	284,511	-	-
Public works	92,824	853,545	13,463	98,313	-	-
Health and social services	10,500	-	2,500	-	-	-
Culture and recreation	1,309,146	-	96,849	120,691	-	11,174
Community and economic development	104,714	-	7,473	-	26,000	-
General government	456,782	-	658,296	40,118	-	-
Debt service	-	-	-	-	-	-
Capital projects	-	-	1,500	-	-	-
Total disbursements	3,345,153	853,545	829,639	543,633	26,000	11,174
Excess (deficiency) of receipts over (under) disbursements	(162,513)	(4,785)	(45,058)	183,613	(23,586)	(11,174)
Other financing sources (uses):						
General obligation anticipation note proceeds	250,000	-	550,000	-	-	-
General obligation anticipation notes redeemed	(250,000)	-	-	-	-	-
Local option sales and services tax revenue bond proceeds	-	-	-	-	-	-
General obligation bond proceeds	-	-	-	-	-	-
Operating transfers in	161,459	-	47,759	-	-	-
Operating transfers out	(70,356)	-	(602,918)	(132,619)	-	-
Total other financing sources (uses)	91,103	-	(5,159)	(132,619)	-	-
Net change in cash balances	(71,410)	(4,785)	(50,217)	50,994	(23,586)	(11,174)
Cash balances beginning of year	774,512	92,446	159,034	171,574	306,214	521,092
Cash balances end of year	\$ 703,102	87,661	108,817	222,568	282,628	509,918
<b>Cash Basis Fund Balances</b>						
Reserved for debt service	\$ -	-	-	-	-	-
Unreserved:						
General fund	703,102	-	-	-	-	-
Special revenue funds	-	87,661	108,817	222,568	282,628	509,918
Capital projects fund	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-
Total cash basis fund balances	\$ 703,102	87,661	108,817	222,568	282,628	509,918

See notes to financial statements.

Debt Service	Capital Projects	Permanent		Total
		Library Endowment	Nonmajor	
952,783	164,173	-	-	4,076,420
-	-	-	429,971	429,971
-	-	-	-	960,005
-	-	-	-	25,681
-	-	-	25,307	43,279
-	1,063,252	-	67,165	2,179,131
-	-	-	-	350,499
45,746	18,384	-	-	64,130
-	-	1,831	78,507	263,644
998,529	1,245,809	1,831	600,950	8,392,760
-	-	-	-	1,705,256
-	-	-	2,559	1,060,704
-	-	-	-	13,000
-	-	-	104,134	1,641,994
-	-	-	162,478	300,665
-	-	-	-	1,155,196
1,235,630	-	-	-	1,235,630
-	2,040,409	-	101,091	2,143,000
1,235,630	2,040,409	-	370,262	9,255,445
(237,101)	(794,600)	1,831	230,688	(862,685)
-	-	-	-	800,000
-	(550,000)	-	-	(800,000)
-	550,000	-	-	550,000
-	49,150	-	-	49,150
275,592	484,645	-	-	969,455
-	(73,599)	-	(267,494)	(1,146,986)
275,592	460,196	-	(267,494)	421,619
38,491	(334,404)	1,831	(36,806)	(441,066)
67,576	(1,845,381)	465,733	94,916	807,716
106,067	(2,179,785)	467,564	58,110	366,650
106,067	-	-	-	106,067
-	-	-	-	703,102
-	-	-	58,110	1,269,702
-	(2,179,785)	-	-	(2,179,785)
-	-	467,564	-	467,564
106,067	(2,179,785)	467,564	58,110	366,650

**Exhibit C**

City of Fairfield  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2010

	Enterprise					Total
	Water	Sewer	Airport Hangar	Logan Apartments	<u>Nonmajor</u> Yard Waste	
Operating receipts:						
Use of money and property	\$ -	-	43,287	148,323	-	191,610
Charges for service	2,044,554	1,840,840	-	-	397,674	4,283,068
Intergovernmental	-	-	-	87,119	-	87,119
Miscellaneous	5,830	27,509	26,416	1,869	-	61,624
Total operating receipts	2,050,384	1,868,349	69,703	237,311	397,674	4,623,421
Operating disbursements:						
Business type activities	1,551,739	1,507,072	128,612	193,054	450,482	3,830,959
Excess (deficiency) of operating receipts over (under) operating disbursements	498,645	361,277	(58,909)	44,257	(52,808)	792,462
Non-operating receipts (disbursements):						
Interest on investments	15,626	-	-	-	-	15,626
Miscellaneous	100,028	-	-	-	-	100,028
Capital projects and equipment	(233,366)	(60,944)	(26,175)	-	-	(320,485)
Debt service	(457,302)	-	-	-	-	(457,302)
Net non-operating receipts (disbursements)	(575,014)	(60,944)	(26,175)	-	-	(662,133)
Excess (deficiency) of receipts over (under) disbursements	(76,369)	300,333	(85,084)	44,257	(52,808)	130,329
Operating transfers in	-	177,531	-	-	-	177,531
Net change in cash balances	(76,369)	477,864	(85,084)	44,257	(52,808)	307,860
Cash balances beginning of year	244,771	201,152	186,433	51,785	(49,037)	635,104
Cash balances end of year	\$ 168,402	679,016	101,349	96,042	(101,845)	942,964
<b>Cash Basis Fund Balances</b>						
Reserved for debt service	\$ 676,484	-	-	-	-	676,484
Unreserved	(508,082)	679,016	101,349	96,042	(101,845)	266,480
Total cash basis fund balances	\$ 168,402	679,016	101,349	96,042	(101,845)	942,964

See notes to financial statements.

City of Fairfield

Notes to Financial Statements

June 30, 2010

**(1) Summary of Significant Accounting Policies**

The City of Fairfield is a political subdivision of the State of Iowa located in Jefferson County. It was first incorporated in 1847 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Fairfield has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Fairfield (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

**Blended Component Units**

Friends of the Fairfield Public Library, Fairfield Public Library Foundation and Fairfield Parks and Recreation Foundation were established as non-profit corporations in accordance with Chapter 504A of the Code of Iowa. These non-profit corporations are legally separate from the City but are so intertwined with the City they are, in substance, the same as the City. Their purpose is to benefit the City of Fairfield (the primary government) by soliciting contributions and managing those funds. The funds of these components units are reported as part of the City and blended into the Special Revenue Funds.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Jefferson County Assessor's Conference Board, Jefferson County Emergency Management Agency and Jefferson County E911 Joint Service Board. The City also participates in the Jefferson County Regional Service Agency, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds and all remaining proprietary funds are aggregated and reported as nonmajor proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for local option sales tax collections.

The Employee Benefits Fund is used to account for the employee benefit tax levy used to fund pension and related employee benefits.



The UDAG-FALCO Project Fund is used to account for the grants/loans given by the City for economic development and/or improvements.

The Fairfield Public Library Foundation Fund is used to account for donations received and purchases made for the benefit of the Fairfield Public Library.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through enterprise funds.

The Permanent, Library Endowment Fund is used to account for funds given to the library for endowment purposes.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer systems.

The Enterprise, Airport Hangar Fund is used to account for hangar rent and maintenance of the airport.

The Enterprise, Logan Apartments Fund is used to account for the operation and maintenance of the City's apartments.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are incurred, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

#### D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public works, culture and recreation, general government and capital projects functions.

#### (2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010, the City and its component units had the following investments:

Type	Carrying Amount	Fair Value	Maturity
Mutual Funds	\$ 398,947	444,190	N/A
Money Market	48,292	48,292	N/A
Stocks	886	886	N/A
Corporate Bonds:			
Bank of America	5,006	5,040	Dec 15, 2010
Caterpillar Financial Services	20,000	20,419	Dec 15, 2026

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Credit risk – The Bank of America corporate bonds carry a rating of A/A3/A. The Caterpillar Financial Services corporate bonds carry a rating of A-/A2/A. The City's investments in mutual funds and money market are unrated.

Concentration of Credit Risk – The City and the Fairfield Library Foundation place no limits on the amount that may be invested in any one issuer. However, the City's policy requires the City to diversify its investments to eliminate the risk of loss resulting from the over concentration of assets in a specific maturity, issuer or class of securities.

### (3) Lease-Purchase Agreements

The City has entered into capital lease purchase agreements to lease two dump trucks. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 6.01% to 9.21% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2010:

Year Ending June 30,	Amount
2011	\$ 26,759
2012	19,489
2013	19,489
Total minimum lease payments	65,737
Less amount representing interest	(6,995)
Present value of net minimum lease payments	<u>\$ 58,742</u>

During the year ended June 30, 2010, the City made principal payments of \$29,891 and interest payments of \$1,571 on the capital leases.

### (4) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, general obligation capital loan notes, water revenue capital loan notes and local option sales and services tax revenue bonds are as follows:

Year Ending June 30,	General Obligation				Water Revenue		Local Option Sales and Services		Total	
	Bonds		Capital Loan Notes		Capital Loan Notes		Tax Revenue Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 560,000	260,840	250,000	63,475	297,000	153,335	-	-	1,107,000	477,650
2012	585,000	235,800	200,000	51,445	307,000	143,682	-	29,038	1,092,000	459,965
2013	430,000	209,600	210,000	42,445	317,000	133,705	65,000	18,524	1,022,000	404,274
2014	450,000	192,400	220,000	32,785	327,000	123,402	65,000	16,899	1,062,000	365,486
2015	465,000	174,400	230,000	22,445	338,000	112,775	65,000	15,063	1,098,000	324,683
2016-2020	2,660,000	575,600	240,000	11,520	1,862,000	391,820	355,000	37,988	5,117,000	1,016,928
2021-2023	1,235,000	74,600	-	-	1,270,000	83,428	-	-	2,505,000	158,028
Total	\$6,385,000	1,723,240	1,350,000	224,115	4,718,000	1,142,147	550,000	117,512	13,003,000	3,207,014

#### General Obligation Bonds

On July 1, 2010, the City issued \$4,915,000 of general obligation bonds Series 2010. The bonds will be used to resurface, reconstruct, patch and seal coat various streets, purchase two fire trucks and a street sweeper and pave two parking lots. The City received a \$49,150 good faith deposit on these bonds during June 2010.

#### Water Revenue Capital Loan Notes

On February 13, 2003, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. for the issuance of \$5,797,000 of water revenue capital loan notes with interest at 3.00% per annum. The agreement requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa for the purpose of paying the costs of construction, improvement and extensions to the municipal waterworks system.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$5,797,000 of water revenue capital loan notes issued in February 2003. Proceeds from the notes provided financing for the construction of water main improvements and extensions. The notes are payable solely from water customer net receipts and are payable through 2023. Annual principal and interest payments on the notes are expected to require less than 89 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$5,860,147. For the current year, total principal and interest paid on the February 2003 notes was \$324,714 and total customer net receipts were \$366,458.

The note resolution requires the City to provide for rates to be charged to produce net operating revenues equal to at least 110% of the principal and interest coming due in the next succeeding year for the February 2003 debt issuance.

The resolution providing for the issuance of the water revenue capital loan notes includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a separate water revenue note sinking account within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers of .25 percent of the amount required to be deposited in the water revenue note sinking account shall be made to a water reserve account until \$451,202 is accumulated and maintained. At June 30, 2010, the balance in this account was \$483,747.
- (d) All funds remaining after payment of all maintenance and operating expenses and the transfers to the restricted accounts noted above can be used to pay for extraordinary repairs or replacements to the water system, may be used to pay or redeem any notes and then can be used for any lawful purpose.

The City has made the transfers to the water sinking and reserve accounts as required by the water revenue capital loan note resolution.

#### Local Option Sales and Services Tax Revenue Bonds

On June 29, 2010, the City issued local option sales and services tax revenue bonds for the purpose of purchasing the Fairfield Arts and Convention Center (formerly the Jefferson County Civic Center, Inc.)

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) The bonds will only be redeemed from the future net revenues of local option tax revenues and the bond holders hold a lien on the future local option tax revenues received by the City.
- b) Sufficient monthly transfers shall be made to a separate local option sales tax sinking account for the purpose of making the bond principal and interest payments when due.
- c) Additional monthly transfers of 25 percent of the amount required to be deposited in the local option sales tax sinking account shall be made to a local option sales tax reserve account until \$55,000 is accumulated and maintained.

**(5) General Obligation Anticipation Notes**

On June 10, 2009, the City issued a \$500,000 general obligation anticipation note to pay the costs of a streetscape and landscaping project in the downtown area. The note bears interest at 4.25% per annum and was due on October 15, 2009. The due date on the note was extended until October 15, 2011. The note is to be repaid through the issuance of long-term general obligation debt.

On August 31, 2009, the City issued a \$250,000 general obligation anticipation note to pay the costs of capital improvement projects. The note bears interest at 2.00% per annum and was due on October 30, 2009. The note was repaid with interest on October 23, 2009.

On May 27, 2010, the City issued a \$550,000 general obligation anticipation note to pay the costs of purchasing the Fairfield Arts and Convention Center. The note bears interest at 3.50% per annum and was due on August 30, 2010. The note was repaid with interest on June 30, 2010.

**(6) Pension and Retirement Benefits**

Iowa Public Employees Retirement System – The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$138,654, \$126,549 and \$114,455, respectively, equal to the required contributions for each year.

Municipal Fire and Police Retirement System of Iowa – The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing multiple employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report including financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Des Moines, IA 50266.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, can not be less than 17% of earnable compensation. Contribution requirements are established by state statute. The City's contributions to the Plan for the years ended June 30, 2010, 2009 and 2008 were \$120,175, \$128,106 and \$178,084, respectively, which met the required minimum contributions for each year.

**(7) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 61 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partial self funding of the City's health insurance benefit plan. The plan is funded by both employee and City contributions and is administered through a service agreement with Employee Benefit Systems. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members range from \$346 to \$408 for single coverage and from \$829 to \$946 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$329,700 and plan members eligible for benefits contributed \$71,832 to the plan.

## **(8) Compensated Absences**

City employees accumulate unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2010, primarily relating to the General and Enterprise Funds, is as follows:

Type of Benefit	Amount
Vacation	\$ 97,300
Sick leave	84,900
Total	<u>\$ 182,200</u>

This liability has been computed based on rates of pay in effect at June 30, 2010. Sick leave is payable when used or, after an employment period of twenty years, upon termination, retirement or death. Accumulated sick leave hours are paid at the rate of one-half upon retirement or death and one-fourth upon termination.

## **(9) Risk Management**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contribution to the Pool for the year ended June 30, 2010 was \$217,525.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in the aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation, and other property and liability. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **(10) Development Rebate Agreement**

In November 2005, the City entered into a development rebate agreement to assist in an urban renewal project. The City agreed to rebate incremental property tax paid by the developer in exchange for the construction of Jefferson County Civic Center, Inc., (Civic Center) as set forth in the urban renewal plan. The agreement provides for the exclusion from taxation of the Civic Center for a period of two years during construction. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated for a period of thirty years beginning with the tax year in which the property tax on the completed value of the Civic Center is first paid. As of June 30, 2010, \$238,254 has been paid to the developer. During fiscal year 2010, the City purchased the Civic Center and, for fiscal year 2011, the City is no longer receiving any incremental property tax.

### (11) Deficit Balances

The General Fund, Fire Truck Account had a deficit balance of \$5,000 at June 30, 2010.

The Special Revenue, Iowa Power and Energy Efficiency Funds had deficit balances of \$33,609 and \$42,256, respectively.

The Capital Projects Fund, Civic Center Purchase, Safe Routes to School, Loop Trail West, Civic Center, Recreation Trails, Highway 1 Bridge Project, 2010 Street Project, Fillmore Kirkwood, Downtown Fund, Sidewalk Improvements, Walton Lake Subdivision, Airport Improvements, 2008 RISE, Bypass Forcemain Relocation, Bypass Cross Interceptor Relocation, Bypass Crow Creek Relocation, Bypass Water Main Relocation, Runway 18/36 Phase II, Runway 18/36 Phase III, 2006 Street Project and Kirkwood Accounts had deficit balances of \$1,793, \$57,722, \$46,394, \$6,494, \$7,099, \$28,034, \$32,020, \$3,539, \$331,756, \$280,873, \$193,125, \$31,641, \$6,124, \$107,327, \$267,581, \$83,244, \$292,422, \$83,269, \$402,001, \$27,156 and \$217,337, respectively, at June 30, 2010. These deficit balances were a result of project costs incurred prior to availability of funds. The deficit balances will be eliminated by local sources, grants and bonds or notes issued after June 30, 2010.

The Enterprise Funds, Water-State Revolving, Water-Sinking, Water-Utility and Sewer Replacement Accounts and the Enterprise, Yard Waste Fund had deficit balances of \$277,449, \$29,837, \$374,189, \$27,448, and \$101,845, respectively, at June 30, 2010. The City is exploring alternatives to resolve the deficit balances.

### (12) Interfund Transfers

Transfer To	Transfer From	Amount
General	Special Revenue:	
	Employee Benefits	\$ 132,619
	Local Option Sales Tax	3,000
	Capital Projects	25,840
		<u>161,459</u>
Special Revenue:		
Local Option Sales Tax	Capital Projects	<u>47,759</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	8,098
	Urban Renewal	
	Tax Increment Financing	267,494
		<u>275,592</u>
Capital Projects	General	70,356
	Special Revenue:	
	Local Option Sales Tax	414,289
		<u>484,645</u>
Enterprise:		
Sewer	Special Revenue:	
	Local Option Sales Tax	<u>177,531</u>
Total		<u>\$ 1,146,986</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.



**(13) Contractual Commitments**

The City has entered into various construction contracts totaling \$2,388,452. The unpaid contract balances at June 30, 2010 totaled \$1,713,095. These balances will be paid as work on the projects progresses. These construction contracts will be funded with federal grants, local sources and bond or note sales in fiscal year 2011.

**(14) Litigation**

The City is involved in several lawsuits as of June 30, 2010. The probability of loss, if any, is undeterminable.

**City of Fairfield**

### **Required Supplementary Information**

City of Fairfield  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 4,076,420	-	-
Tax increment financing	429,971	-	-
Other city tax	960,005	-	-
Licenses and permits	25,681	-	-
Use of money and property	43,279	207,236	1,075
Intergovernmental	2,179,131	87,119	-
Charges for service	350,499	4,283,068	-
Special assessments	64,130	-	-
Miscellaneous	263,644	161,652	53,884
Total receipts	8,392,760	4,739,075	54,959
Disbursements:			
Public safety	1,705,256	-	-
Public works	1,060,704	-	-
Health and social services	13,000	-	-
Culture and recreation	1,641,994	-	63,051
Community and economic development	300,665	-	-
General government	1,155,196	-	-
Debt service	1,235,630	-	-
Capital projects	2,143,000	-	-
Business type activities	-	4,608,746	-
Total disbursements	9,255,445	4,608,746	63,051
Excess (deficiency) of receipts over (under) disbursements	(862,685)	130,329	(8,092)
Other financing sources, net	421,619	177,531	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(441,066)	307,860	(8,092)
Balances beginning of year	807,716	635,104	1,028,539
Balances end of year	\$ 366,650	942,964	1,020,447

See accompanying independent auditor's report.

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Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
4,076,420	3,962,239	3,962,239	114,181
429,971	424,567	425,950	4,021
960,005	1,122,158	1,122,158	(162,153)
25,681	22,630	42,630	(16,949)
249,440	7,000	30,000	219,440
2,266,250	1,360,854	1,360,854	905,396
4,633,567	5,413,906	5,463,906	(830,339)
64,130	31,038	61,038	3,092
371,412	29,750	51,750	319,662
13,076,876	12,374,142	12,520,525	556,351
1,705,256	1,725,448	1,725,448	20,192
1,060,704	1,044,407	1,044,407	(16,297)
13,000	17,300	17,300	4,300
1,578,943	1,404,469	1,404,469	(174,474)
300,665	442,566	442,566	141,901
1,155,196	413,192	850,000	(305,196)
1,235,630	1,236,030	1,236,030	400
2,143,000	1,331,500	2,031,500	(111,500)
4,608,746	4,727,850	4,727,850	119,104
13,801,140	12,342,762	13,479,570	(321,570)
(724,264)	31,380	(959,045)	234,781
599,150	1,500	101,500	497,650
(125,114)	32,880	(857,545)	732,431
414,281	1,083,220	1,083,220	(668,939)
289,167	1,116,100	225,675	63,492

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City of Fairfield

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component units and the Permanent Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, the budget was amended one time, increasing disbursements by \$1,136,808. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public works, culture and recreation, general government and capital projects functions.

### **Other Supplementary Information**

City of Fairfield

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2010

				Special
	Urban Renewal Tax Increment Financing	Live on The Square	Indian Creek Escrow	Library Memorial
Receipts:				
Tax increment financing	\$ 429,971	-	-	-
Use of money and property	-	-	41	12,591
Intergovernmental	-	-	-	-
Miscellaneous	-	11,915	-	14,539
Total receipts	429,971	11,915	41	27,130
Disbursements:				
Operating:				
Public works	-	-	-	-
Culture and recreation	-	5,669	-	33,608
Community and economic development	162,478	-	-	-
Capital projects	-	-	-	-
Total disbursements	162,478	5,669	-	33,608
Excess (deficiency) of receipts over (under) disbursements	267,493	6,246	41	(6,478)
Other financing uses:				
Operating transfers out	(267,494)	-	-	-
Net change in cash balances	(1)	6,246	41	(6,478)
Cash balances beginning of year	8,858	1,415	16,554	17,719
Cash balances end of year	\$ 8,857	7,661	16,595	11,241
<b>Cash Basis Fund Balances</b>				
Unreserved:				
Special revenue funds	\$ 8,857	7,661	16,595	11,241

See accompanying independent auditor's report.



Revenue							
Library Building Trust	Fairfield Public Library House	Friends of the Fairfield Library	Fairfield Parks and Recreation Foundation	IJOBS	Iowa Power	Energy Efficiency	Total
-	-	-	-	-	-	-	429,971
5,000	6,600	-	1,075	-	-	-	25,307
-	-	-	-	41,939	25,226	-	67,165
-	-	5,644	46,409	-	-	-	78,507
5,000	6,600	5,644	47,484	41,939	25,226	-	600,950
-	-	-	-	2,559	-	-	2,559
2,890	10,090	7,279	44,598	-	-	-	104,134
-	-	-	-	-	-	-	162,478
-	-	-	-	-	58,835	42,256	101,091
2,890	10,090	7,279	44,598	2,559	58,835	42,256	370,262
2,110	(3,490)	(1,635)	2,886	39,380	(33,609)	(42,256)	230,688
-	-	-	-	-	-	-	(267,494)
2,110	(3,490)	(1,635)	2,886	39,380	(33,609)	(42,256)	(36,806)
1,265	7,391	2,629	39,085	-	-	-	94,916
3,375	3,901	994	41,971	39,380	(33,609)	(42,256)	58,110
3,375	3,901	994	41,971	39,380	(33,609)	(42,256)	58,110

City of Fairfield  
Schedule of Indebtedness  
Year ended June 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Street construction	Jan 2, 1958	2.60%	\$ 85,000
Library and street construction	May 1, 1995	5.00-5.60	3,300,000
Essential corporate purpose	Sep 1, 2006	4.00	6,925,000
Essential corporate purpose	Jul 1, 2010 ***	1.00-3.40	4,915,000
Total			
General obligation capital loan notes:			
General corporate purpose - series 2001 A	May 1, 2001	4.00-4.80%	\$ 4,330,000
Urban renewal project - series 2001B	May 1, 2001	6.00-6.45	325,000
Total			
Revenue bonds:			
Water	May 1, 1995	4.60-5.75%	\$ 1,165,000
Local option sales and services tax	Jun 29, 2010	2.35-4.40%	\$ 550,000
Total			
Water revenue capital loan notes:			
State revolving	Feb 13, 2003 *, **	3.00%	\$ 5,797,000
General obligation anticipation notes:			
General obligation anticipation note	Jun 10, 2009	4.25%	\$ 500,000
General obligation anticipation note	Aug 31, 2009	2.00	250,000
General obligation anticipation note	May 27, 2010	3.50	550,000
Total			
Capital lease-purchase agreements:			
Dump truck	Dec 21, 2006	9.21%	\$ 47,300
2010 Freightliner dump truck	Oct 12, 2009	6.01	77,958
Total			

\* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance.

\*\* The agreement was finalized during the year ended June 30, 2010.

\*\*\* The City received a good faith deposit of \$49,150 in June 2010.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Principal and Interest Due and Unpaid
5,000	-	-	5,000	-	5,520
495,000	-	155,000	340,000	27,720	-
6,425,000	-	380,000	6,045,000	257,000	-
-	49,150	-	49,150	-	-
<b>\$ 6,925,000</b>	<b>49,150</b>	<b>535,000</b>	<b>6,439,150</b>	<b>284,720</b>	<b>5,520</b>
1,605,000	-	295,000	1,310,000	74,170	-
80,000	-	40,000	40,000	5,140	-
<b>\$ 1,685,000</b>	<b>-</b>	<b>335,000</b>	<b>1,350,000</b>	<b>79,310</b>	<b>-</b>
125,000	-	125,000	-	7,187	-
-	550,000	-	550,000	-	-
<b>\$ 125,000</b>	<b>550,000</b>	<b>125,000</b>	<b>550,000</b>	<b>7,187</b>	<b>-</b>
4,883,320	680	166,000	4,718,000	158,714	-
500,000	-	-	500,000	-	-
-	250,000	250,000	-	425	-
-	550,000	550,000	-	1,793	-
<b>\$ 500,000</b>	<b>800,000</b>	<b>800,000</b>	<b>500,000</b>	<b>2,218</b>	<b>-</b>
17,059	-	10,402	6,657	1,571	-
-	71,574	19,489	52,085	-	-
<b>\$ 17,059</b>	<b>71,574</b>	<b>29,891</b>	<b>58,742</b>	<b>-</b>	<b>-</b>

City of Fairfield  
Bond and Note Maturities  
June 30, 2010

Year Ending June 30,	General Obligation Bonds					General Obligation Capital Loan Notes				
	Library and Street Construction		Essential Corporate Purpose		Total	General Corporate Purpose - Series 2001A		Urban Renewal Project - Series 2001B		Total
	Issued May 1, 1995		Issued Sep 1, 2006			Issued May 1, 2001		Issued May 1, 2001		
	Interest		Interest			Interest		Interest		
	Rates	Amount	Rates	Amount		Rates	Amount	Rates	Amount	
2011	5.600%	\$ 165,000	4.000%	\$ 395,000	560,000	4.500%	\$ 210,000	6.45%	\$ 40,000	250,000
2012	5.600	175,000	4.000	410,000	585,000	4.500	200,000	-	-	200,000
2013	-	-	4.000	430,000	430,000	4.600	210,000	-	-	210,000
2014	-	-	4.000	450,000	450,000	4.700	220,000	-	-	220,000
2015	-	-	4.000	465,000	465,000	4.750	230,000	-	-	230,000
2016	-	-	4.000	485,000	485,000	4.800	240,000	-	-	240,000
2017	-	-	4.000	510,000	510,000	-	-	-	-	-
2018	-	-	4.000	530,000	530,000	-	-	-	-	-
2019	-	-	4.000	555,000	555,000	-	-	-	-	-
2020	-	-	4.000	580,000	580,000	-	-	-	-	-
2021	-	-	4.000	605,000	605,000	-	-	-	-	-
2022	-	-	4.000	630,000	630,000	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-	-
Total	\$ 340,000		\$ 6,045,000		6,385,000	\$ 1,310,000		\$ 40,000		1,350,000

\* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Water Revenue Capital Loan			Local Option Sales and Services Tax Revenue Bonds		
Notes - State Revolving			Issued June 29, 2010		
Issued Feb 13, 2003			Interest		
Interest			Interest		
Rates *	Amount		Rates	Amount	
3.00%	\$ 297,000				
3.00	307,000				
3.00	317,000	2.35%	\$ 65,000		
3.00	327,000	2.65	65,000		
3.00	338,000	3.00	65,000		
3.00	349,000	3.35	65,000		
3.00	360,000	3.75	70,000		
3.00	372,000	4.05	70,000		
3.00	384,000	4.20	75,000		
3.00	397,000	4.40	75,000		
3.00	410,000		-		
3.00	423,000		-		
3.00	437,000		-		
	<u>\$ 4,718,000</u>			<u>\$ 550,000</u>	

City of Fairfield

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Eight Years

	2010	2009	2008	2007	2006
Receipts:					
Property tax	\$ 4,076,420	3,949,455	3,639,821	3,350,952	3,236,344
Tax increment financing	429,971	332,517	232,613	210,355	229,701
Other city tax	960,005	1,027,994	991,721	968,336	911,782
Licenses and permits	25,681	22,741	29,359	21,441	27,043
Use of money and property	43,279	89,382	88,133	104,655	45,527
Intergovernmental	2,179,131	1,463,822	3,217,212	4,965,682	2,635,955
Charges for service	350,499	303,182	292,480	323,930	346,434
Special assessments	64,130	75,582	44,482	51,081	27,614
Miscellaneous	263,644	507,741	248,944	284,838	197,893
Total	<u>\$ 8,392,760</u>	<u>7,772,416</u>	<u>8,784,765</u>	<u>10,281,270</u>	<u>7,658,293</u>
Disbursements:					
Operating:					
Public safety	\$ 1,705,256	1,761,035	1,626,961	1,570,831	1,589,215
Public works	1,060,704	906,095	997,862	942,597	977,938
Health and social services	13,000	13,081	12,786	17,801	9,720
Culture and recreation	1,641,994	1,626,771	1,490,126	1,591,083	1,536,035
Community and economic development	300,665	199,972	116,881	100,958	107,223
General government	1,155,196	405,982	387,699	374,948	397,803
Non-program	-	-	-	-	-
Debt service	1,235,630	1,245,752	1,016,258	1,116,957	901,491
Capital projects	2,143,000	1,913,794	3,796,689	7,085,671	3,845,328
Total	<u>\$ 9,255,445</u>	<u>8,072,482</u>	<u>9,445,262</u>	<u>12,800,846</u>	<u>9,364,753</u>

See accompanying independent auditor's report.

2005	2004	2003
3,037,373	2,852,293	3,088,534
230,189	411,499	316,671
914,871	1,037,115	959,462
24,228	15,800	14,960
107,630	80,340	38,694
2,758,221	1,012,520	2,255,519
337,963	316,174	321,895
33,834	59,290	51,290
192,099	317,859	170,190
7,636,408	6,102,890	7,217,215

1,751,741	2,035,789	2,006,603
898,017	900,369	871,806
12,220	9,720	6,683
1,444,278	1,289,611	1,305,919
85,867	163,464	101,835
342,499	346,384	306,993
-	-	36,722
901,981	942,223	1,104,910
2,527,712	783,568	2,101,125
7,964,315	6,471,128	7,842,596

**Schedule 5**

City of Fairfield  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2010

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Housing and Urban Development - Office of Housing:			
Section 8 Housing Assistance Payments Program	14.195	IA050008008	\$ 87,119
U.S. Department of Justice:			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	2009-SB-B9-2757	10,486
Total direct			<u>97,605</u>
Indirect:			
U.S. Department of Justice - Office of Juvenile Justice and Delinquency Prevention:			
Iowa Department of Human Rights: Enforcing Underage Drinking Laws Program	16.727	08-JD07-F08	<u>994</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-ES-2465(615)-81-51	282,100
Highway Planning and Construction	20.205	STP-E-2465(613)-8V-51	125,000
ARRA - Highway Planning and Construction	20.205	ESL-2465(617)-7S-51	265,896
			<u>672,996</u>
National Highway Traffic Safety Administration:			
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
Safety Belt Performance Grants	20.609	10-406, Task 59	1,140
Safety Belt Performance Grants	20.609	09-406, Task 59	3,238
			<u>4,378</u>
U.S. Department of Education:			
Iowa Department of Transportation:			
ARRA - State Fiscal Stabilization Fund (SFSF)- Government Services, Recovery Act	84.397		11,466
Total indirect			<u>689,834</u>
Total			<u>\$ 787,439</u>

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Fairfield and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.





**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Fairfield, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 15, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Fairfield's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Fairfield's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Fairfield's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Fairfield's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10, II-B-10, II-C-10, II-D-10 and II-E-10 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-F-10 and II-G-10 to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fairfield's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

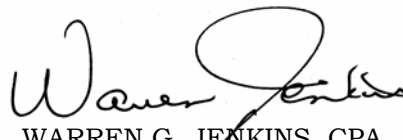
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Fairfield's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Fairfield's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Fairfield and other parties to whom the City of Fairfield may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Fairfield during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 15, 2011

**Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133**

**City of Fairfield**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

David A. Vaudt, CPA  
Auditor of State

Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Compliance

We have audited the City of Fairfield, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Fairfield's major federal programs for the year ended June 30, 2010. The City of Fairfield's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of the City of Fairfield's management. Our responsibility is to express an opinion on the City of Fairfield's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Fairfield's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Fairfield's compliance with those requirements.

In our opinion, the City of Fairfield complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

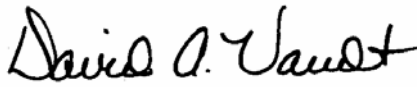
The management of the City of Fairfield is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Fairfield's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Fairfield's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

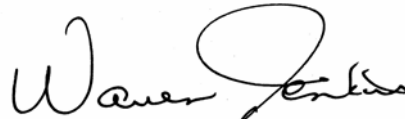
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

The City of Fairfield's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the City's response, we did not audit the City of Fairfield's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Fairfield and other parties to whom the City of Fairfield may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 15, 2011

City of Fairfield  
Schedule of Findings and Questioned Costs -  
Year ended June 30, 2010

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were CFDA Number 20.205 – Highway Planning and Construction and CFDA Number 20.205 ARRA – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Fairfield did not qualify as a low-risk auditee.

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-10 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check of those of another. One person has control over each of the following areas for the City:

- (1) Bank accounts were not reconciled by an individual who does not handle or record cash. Bank reconciliations were not reviewed by an independent person for propriety
- (2) Receipts – opening mail, collecting, depositing, journalizing and posting.
- (3) Utility receipts – opening mail, billing, collecting, depositing, posting, reconciling and maintaining detail accounts receivable records.
- (4) Disbursements – preparing checks, signing checks and access to accounting records.
- (5) Payroll – payroll journals were not reviewed and approved by an independent person for propriety.
- (6) Journal entries are not reviewed and approved. In addition, journal entries were not supported.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – Implementation of cross training has started. A physical office reconfiguration is scheduled for the spring of 2011 which will allow three individual staff positions to be placed together. This will be one of the first steps in segregation of duties. Supervisory personnel will then be responsible for maintaining the segregation of duties.

Conclusion – Response accepted.

II-B-10 Initial List of Receipts – An initial listing of receipts is not prepared by the mail opener prior to forwarding the checks to the bookkeeper for receipt processing and deposit preparation.

Recommendation – The mail opener should prepare an initial listing of receipts and, after the receipts have been processed and the deposit has been prepared by the bookkeeper, an independent person should reconcile the initial listing against the deposit.



City of Fairfield

Schedule of Findings and Questioned Costs -

Year ended June 30, 2010

Response – This will be addressed as part of the office reconfiguration described above.

Conclusion – Response accepted.

II-C-10 Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response – With the changes to the accounting system which will take effect on July 2, 2011, new internal control procedures will be implemented including accounts receivable reconciliation.

Conclusion – Response accepted.

II-D-10 Logan Apartments – The City owns an apartment complex with forty-seven units. The following were noted:

- 1) The bookkeeping and custody of the Enterprise, Logan Apartments Deposit account certificate of deposit is under the control of the Manager of Logan Apartments in a location separate from the Clerk's office. This account is not reflected in the City's books. This matter was resolved for audit purposes.
- 2) Duties are not segregated as the Manager prepares the tenant certifications, prepares housing assistance payment requests, collects rent, reconciles the rent receivable each month, collects and refunds security deposits and performs other accounting duties for the apartments.
- 3) A current listing of security and pet deposits by tenant is not prepared and maintained.
- 4) The City has excess funds of \$14,458 set aside for security deposits at June 30, 2010. These should be remitted to the City's Enterprise, Logan Apartments Fund.

Recommendation – Control activities for Logan Apartments should be reviewed to obtain the maximum internal control possible under the circumstances. A listing of rent receipts should be prepared. Also, prenumbered receipts should be issued for all cash collections. The receipt listing and prenumbered receipts should be reconciled each month to rent deposits per the City's records and rent receivables and should be reviewed by an independent person. In addition, a log of security and pet deposits by apartment should be maintained and reconciled to the City's records periodically by an independent person. Also, rent owed each month versus rent collected as well as rent receivables should be reconciled monthly and reviewed by an independent person. Excess funds accumulated as a result of security deposits retained should be remitted to the appropriate fund.

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Response – An internal review will be conducted to determine what new policies and procedures need to be implemented to provide the appropriate level of control.

Conclusion – Response accepted.

II-E-10 Parks and Recreation Receipts Process – The City's Parks and Recreation Department has weaknesses in segregation of duties for the collection of receipts, as follows:

- 1) A receipt log of all Parks and Recreation receipts is prepared in the Department. However, an independent reconciliation is not performed to ensure all receipts per the receipt log were deposited by the City.
- 2) Certain locations use a cash register for admissions and concession sales. The cash register tapes are not reconciled to the receipts log maintained at the Parks and Recreation Department by an independent person.
- 3) Prenumbered receipts are used only upon request of the payee or when a credit card is used.
- 4) One employee is responsible for collecting, depositing and reconciling receipts.

Recommendation - The City should develop procedures for the following:

- 1) On a periodic basis, an independent person should reconcile the receipt log/deposit listing to the City Hall receipt confirmation and evidence this review by initialing the reconciliation.
- 2) An independent person should reconcile the cash register tapes to the log and evidence the reconciliation by initialing the log.
- 3) Prenumbered receipts should be issued for all collections which are not recorded through a cash register. On a periodic basis, a person independent of the receipt process should reconcile prenumbered receipts issued to deposits.
- 4) The City should review its internal control procedures to obtain the maximum internal control possible under the circumstances.

Response – An internal review will be conducted to determine what new policies and procedures need to be implemented to provide the appropriate level of control including receipt registers and prenumbered receipts.

Conclusion – Response accepted.

City of Fairfield

Schedule of Findings and Questioned Costs -

Year ended June 30, 2010

- II-F-10 Electronic Data Processing Systems – The City does not have a written policy to require users to use screen saver passwords to protect personal computers (PCs) during the day when left unattended.

Although there is a written policy for maintaining password privacy and confidentiality, it has a provision which can allow the City Administrator or other authorized personnel to require an employee to share their password.

The City's computer system does not identify who processed transactions.

The City does not have a written disaster recovery plan.

Recommendation – The City should develop a policy to require users to put in place a screen saver password to protect PCs during the day when left unattended.

To improve the City's control over its computer-based systems, the City should revise the written policy addressing password privacy to not allow the sharing of passwords.

The City's computer system should identify who processes transactions.

The City should adopt a written disaster recovery plan.

Response – Almost all of our PCs do have screen saver passwords at this time. We will work on a policy addressing the sharing of passwords and developing a disaster recovery plan.

Conclusion – Response accepted.

- II-G-10 Credit Cards – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – As part of the new accounting policies and procedures manual, a policy will be implemented for credit card use.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Fairfield

Schedule of Findings and Questioned Costs -

Year ended June 30, 2010

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

**CFDA Number 20.205: Highway Planning and Construction**

**Federal Award Year: 2009**

**U.S. Department of Transportation**

**Passed through the Iowa Department of Transportation**

**CFDA Number 20.205: ARRA – Highway Planning and Construction**

**Federal Award Year: 2009**

**U.S. Department of Transportation**

**Passed through the Iowa Department of Transportation**

III-A-10 Segregation of Duties over Federal Receipts – The City did not properly segregate collection, deposit and record-keeping for receipts, including those related to federal programs. See item II-A-10.

City of Fairfield

Schedule of Findings and Questioned Costs -

Year ended June 30, 2010

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the public works, culture and recreation, general government and capital projects functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – With the change to the new accounting system, new reporting standards will also be set to ensure internal review of budget items on a monthly basis. Any amendments will be brought to the City Council and addressed in a timely manner.

Conclusion – Response accepted.

IV-B-10 Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived has not been clearly documented were noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Cookies from the Heart	Cookies for employee appreciation	\$ 67
Pizza Hut	Pizza for an employee holiday party	270
Yummy’s	Cake for Police Chief retirement party	23
Fairfield Flower Shop	Flowers for Logan Apartments Christmas dinner	54
Lands End	Clothing with “City of Fairfield” logo	285
Hy Vee	Gift cards for Logan Apartments	20
Walmart	Gift cards for Logan Apartments	20

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response – The City will look at our existing policy and make appropriate revisions to clarify these types of expenses to ensure compliance.

Conclusion – Response accepted.

City of Fairfield

Schedule of Findings and Questioned Costs -

Year ended June 30, 2010

IV-C-10 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-10 Business Transactions – No business transactions between the City and City officials or employees were noted.

IV-E-10 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-10 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

A public hearing was not held prior to the issuance of a \$250,000 general obligation anticipation note and a \$550,000 general obligation anticipation note as required by Chapter 73A.12 of the Code of Iowa.

The City did not publish a notice of public hearing on the issuance of \$550,000 of local option sales and service tax revenue bonds or on the issuance of \$4,915,000 of general obligation bonds as required by Chapter 362.3 of the Code of Iowa.

Recommendation – The Council should ensure a public hearing is held prior to the issuance of indebtedness.

Response – Internal personnel will be charged with the responsibility to see all appropriate public hearings are scheduled and held in a timely fashion.

Conclusion – Response accepted.

IV-G-10 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

City of Fairfield

Schedule of Findings and Questioned Costs -

Year ended June 30, 2010

IV-H-10 Financial Condition – At June 30, 2010, the City had deficit balances in the following accounts:

Fund/Account	Amount
General :	
Fire Truck	\$ (5,000)
Special Revenue:	
Iowa Power	(33,609)
Energy Efficiency	(42,256)
Capital Projects:	
Civic Center Purchase	(1,793)
Safe Routes to School	(57,722)
Loop Trail West	(46,394)
Civic Center	(6,494)
Recreation Trails	(7,099)
Highway 1 Bridge Project	(28,034)
2010 Street Projects	(32,020)
Filmore Kirkwood	(3,539)
Downtown Fund	(331,756)
Sidewalk Improvements	(280,873)
Walton Lake Subdivision	(193,125)
Airport Improvements	(31,641)
2008 RISE	(6,124)
Bypass Forcemain Relocation	(107,327)
Bypass Cross Interceptor Relocation	(267,581)
Bypass Crow Creek Relocation	(83,244)
Bypass Water Main Relocation	(292,422)
Runway 18/36 Phase II	(83,269)
Runway 18/36 Phase III	(402,001)
2006 Street Project	(27,156)
Kirkwood	(217,337)
Enterprise:	
Water:	
State Revolving	(277,449)
Sinking	(29,837)
Utility	(374,189)
Sewer Replacement	(27,448)
Yard Waste	(101,846)

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response – Each fund/account is being evaluated. Some funds/accounts will be merged with other funds to streamline the operation and bring records up to date. Rates will be evaluated to ensure costs are covered.

Conclusion – Response accepted.

City of Fairfield

Schedule of Findings and Questioned Costs -

Year ended June 30, 2010

- IV-I-10 Chart of Accounts – In January 2003, the City adopted the revised Uniform City Chart of Accounts for reporting purposes. However, as of June 30, 2010, the computer system has not been converted to the new Chart of Accounts.

Recommendation – The City should convert the computer system to the new Chart of Accounts adopted in January 2003.

Response – This project is underway. The software transition is set for late February. By July 2011, the City will be using the City Finance Committee recommended chart of accounts.

Conclusion – Response accepted.

- IV-J-10 Annual Financial Report – The City's Annual Financial Reports for the years ended June 30, 2010 and June 30, 2009 contained material errors and amounts which could not be substantiated.

Recommendation – The Annual Financial Reports should be amended to correct material errors and the amounts reported should be substantiated.

Response – An evaluation of the annual financial report will be conducted to affect the fixes to make the report as accurate as possible.

Conclusion – Response accepted.

- IV-K-10 Separately Maintained Records – The Special Revenue, Indian Creek Escrow, Library Memorial, Library Building Trust, Fairfield Public Library House and Live on the Square Funds, Enterprise, Logan Apartment certificate of deposit and the Permanent, Library Endowment Funds were not reflected in the City's accounting system or monthly fund balances.

Recommendation – Chapter 384.20 of the Code of Iowa requires a City to keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any City purpose.

The Special Revenue, Indian Creek Escrow, various Library funds and Live on the Square activity, the Enterprise, Logan Apartment certificate of deposit and the Permanent, Library Endowment Fund should be reflected in the City's monthly financial statements.

Response – Communication will be made with each of these entities to determine the appropriate direction which should be taken for the accounts described above.

Conclusion – Response accepted.

- IV-L-10 Tax Increment Financing (TIF) – The City has certified debt in five urban renewal areas with debt included on the City's TIF Indebtedness Certification. TIF receipts for all five urban renewal areas are included in one Special Revenue, Urban Renewal Tax Increment Financing Fund of the City and the City does not maintain the receipts and disbursements of each urban renewal area separately.

The City transferred \$267,494 from the Special Revenue, Urban Renewal Tax Increment Financing Fund to the Debt Service Fund to reimburse the Debt Service Fund for the TIF portion of the general obligation notes. However, the TIF portion of the general obligation note principal and interest due in the fiscal year ended June 30, 2010 was \$161,562. Therefore, the City transferred \$105,932 more than



City of Fairfield

Schedule of Findings and Questioned Costs -

Year ended June 30, 2010

was required from the Special Revenue, Urban Renewal Tax Increment Financing Fund to the Debt Service Fund in the fiscal year ended June 30, 2010. Also, in prior years, the City transferred \$49,294 more than was required from the Special Revenue, Urban Renewal Tax Increment Financing Fund to the Debt Service Fund, for a total of \$155,226.

The City's general obligation capital loan notes, series 2001A, is split between three urban renewal areas and a portion which is not TIF related. When the City included the TIF portions on the City's TIF Indebtedness Certification, the allocation between the three urban renewal areas and the portion which is not TIF related was miscalculated, which resulted in too much TIF debt being included on the City's TIF Indebtedness Certification for each of the three TIF districts by \$118,270, \$16,340 and \$60,667, or a total of \$195,277. The last payment on the notes is due in the fiscal year ending June 30, 2016.

Recommendation – The City should establish subaccounts for the Special Revenue, Urban Renewal Tax Increment Financing Fund to record receipts, disbursements and a fund balance separately for each urban renewal area to match TIF tax collections with the TIF debt paid for each urban renewal area.

The City should only make transfers from the Special Revenue, Urban Renewal Tax Increment Financing Fund to the Debt Service fund for the TIF debt coming due in the fiscal year. Also, the City should transfer \$155,226 from the Debt Service Fund to the Special Revenue, Urban Renewal Tax Increment Financing Fund to reimburse the Special Revenue, Urban Renewal Tax Increment Financing Fund.

The City should complete and send Form 3, the TIF Indebtedness Certification, to the County Auditor to reduce the TIF indebtedness outstanding for the amounts overcertified.

The City should consult bond counsel to determine the disposition of these issues.

Response – The City will complete Form 3, the TIF Indebtedness Certification, to the County. With the new accounting structure, subaccounts will be managed and better detailed record keeping will be implemented. The City will try to repay the \$155,226 to the Special Revenue, Urban Renewal Tax Increment Financing Fund.

Conclusion – Response accepted.

- IV-M-10 Capital Lease Purchase Agreement – During the year ended June 30, 2010, the City entered into a capital lease purchase agreement for the purchase of a dump truck. However, a public hearing was not held prior to the authorization of this lease purchase agreement as required by Chapter 384.24A of the Code of Iowa.

Recommendation – The City should consult legal counsel for the disposition of this matter. In the future, the City should hold a public hearing prior to the authorization of a lease purchase agreement in accordance with Chapter 384.24A of the Code of Iowa.

Response – Internal personnel will be charged with the responsibility to see all appropriate public hearings are schedule and held in a timely fashion.

Conclusion – Response accepted.

City of Fairfield

Schedule of Findings and Questioned Costs -

Year ended June 30, 2010

IV-N-10 Publication of Salaries – The City did not publish actual gross salaries for all employees as required by Chapter 372.13 of the Code of Iowa.

Recommendation – The City should publish actual gross salaries in accordance with Chapter 372.13 of the Code of Iowa.

Response – This issue has already been resolved. The salaries have been published.

Conclusion – Response accepted.

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City of Fairfield

Staff

This audit was performed by:

K. David Voy, CPA, Manager  
Selina V. Johnson, CPA, Senior Auditor II  
Chad Baker, Assistant Auditor  
Clinton J. Krapfl, Assistant Auditor  
Nicole R. Williams, Assistant Auditor

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is fluid and cursive, with the first name "Andrew" and last name "Nielsen" clearly legible.

Andrew E. Nielsen, CPA  
Deputy Auditor of State